GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5990
ANSWERED ON:31.08.2001
INDUSTRIAL GROWTH
GANGASANDRA SIDDAPPA BASAVARAJ

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has directed banks to ensure easy liquidity conditions to improve credit growth;

(b) if so,whether this will help to improve the industrial output data which for the first month of the fiscal year, showed a year-on-year rise of 2.7 per cent compared with 6.5 per cent in April, 2000;

(c) to what extent interest rates softened by the RBI will help the growth of industrial production, in the country;and

(d) the other steps being taken by the Government to improve the industrial growth in the country ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHR1 BALASAHEB VIKHE PATIL) :

{a} to (d) In the Monetary and Credit Policy announced in April 2001, Reserves Bank of Indiahad indicated that they would ensure that all legitimate requirements for credit are met consistent with price stability. Towards this end, the RBI reduced CRR by 50 basis points in May 2001. The stance of monetary policy for 2001-02 had emphasised that `within the overallframework of imparting greater flexibility to the interest rate regime in the medium-term, to continue the present stable interest rate environment with a preference for softening to the extent the evolving situation warrants.Reserve Bank of India has reported that adequateflexibility has been given to banks in prescribing interest rate and facilitate credit flow. The interest rates have, in fact, softened in line with the expectations. RBI has also state that demand for industrial credit is usually buoyant in the second half of the year while demand for food credit is strong in the first half due to the procurement season. Further credit pick-up depends on the overall growth and business confidence. Credit off-take would pick-up with changes in perceptions and increased investor confidence about the overall prospects of the economy.In the current financial year 2001-02 (upto August 10, 2001) bank credit increased by Rs. 15,269 crore (3.0 per cent) as compared with an increase of Rs. 21,826 crore (5.0 per cent) in the corresponding period of the previous year. The deceleration in credit off-take in the current financial year partly reflects the sluggish industrial activity as revealed from the Index of Industrial Production (IIP), which recorded a lower growth of 2.1 Per cent in April-June 2001 as compared with 6.1 per cent in the corresponding period of the previous year.